INDIANA UTILITY REGULATORY COMMISSION

# GAS REPORT TO THE REGULATORY FLEXIBILITY COMMITTEE OF THE INDIANA GENERAL ASSEMBLY

OCTOBER 2002

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# TABLE OF CONTENTS

# Natural Gas Industry Overview

## Industry Structure

Local gas distribution companies (LDCs) are categorized as either investor-owned or not-for-profits. Despite their different forms of ownership and corporate structures, investor-owned and not-for-profit utilities share the goal of providing reliable gas service at reasonable cost. Both types of utilities serve as resellers and transporters of gas to their retail customers. Typically, gas utilities purchase gas supply and transportation rights rather than having any ownership in production or pipeline facilities, i.e. they are not vertically integrated.[1]

### *Investor-Owned Utilities*

Investor-owned utilities (IOUs) are the largest sellers of natural gas to retail customers in the United States. In Indiana, there are three large IOUs providing gas service, Indiana Gas Company, Inc. (IGC), Northern Indiana Public Service Company (NIPSCO) and Southern Indiana Gas and Electric Company, Inc., (SIGECO), and 17 smaller IOUs. The three largest IOUs are owned by holding companies; NiSource is the parent of NIPSCO and Vectren owns Indiana Gas and SIGECO. Two of these companies, NIPSCO and SIGECO, are combination utilities that provide electric service as well as gas service.

### *Not-For-Profit Utilities*

Not-for-profits are types of incorporated organizations in which no stockholder or trustee shares in profits or losses and are exempt from corporate income taxes. A newly formed gas utility, Valley Rural Utility Company, is organized as a not-for-profit servicing the needs of a single residential development.

Municipals are organized as not-for-profit local government entities. They pay no taxes or dividends, although revenue can be turned over to the general city fund in lieu of taxes if the city elects to do so, and raise capital through the issuance of tax-free bonds. There are 19 municipally owned gas utilities in Indiana. Only two are regulated by the Indiana Utility Regulatory Commission (IURC or Commission): the state's largest municipal gas utility, Citizens Gas and Coke Utility (Citizens), which serves Indianapolis, and Aurora Municipal Utility.[2]

### *Indiana Sales and Transportation of Gas*

Gas utilities serve as both merchants, providing bundled sales and transportation service to many of their customers and as transporters, moving gas through their systems for industrial and commercial customers that have purchased gas directly from producers or marketers.

Table 1 presents sales information for Indiana's four largest LDCs: Citizens, IGC, NIPSCO and SIGECO. Sales figures are based on sales of gas made by LDCs to customers that purchase bundled

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[1] Vertical integration is a firm's involvement in all stages of the production of goods, from the procurement of raw materials to the sale of finished goods.

[2] In Indiana, municipal utilities may "opt out" of the Commission's jurisdiction in favor of local control over rates.

service, which includes both the provision of gas and its transportation. These four companies collectively represent about 90 percent of the natural gas retail deliveries in the state. For more detailed information, see Appendix A.[3]

**Table 1: Sales (Dth) for the Four Largest Gas Utilities in Indiana - 2001**

| Utility | Residential | Commercial | Industrial | Other | Total |
|---|---|---|---|---|---|
| Citizens Gas | 22,216,277 | 12,029,116 | 2,580,674 | - | 36,826,067 |
| Indiana Gas | 41,719,000 | 17,117,000 | 4,532,000 | - | 63,368,000 |
| NIPSCO | 59,653,000 | 20,916,000 | 11,433,000 | 10,466,000 | 102,468,000 |
| SIGECO | 8,570,921 | 3,766,185 | 446,930 | (604,580) | 12,179,456 |

**Source:** IURC Company Annual Reports on file with the IURC

## The Natural Gas Market

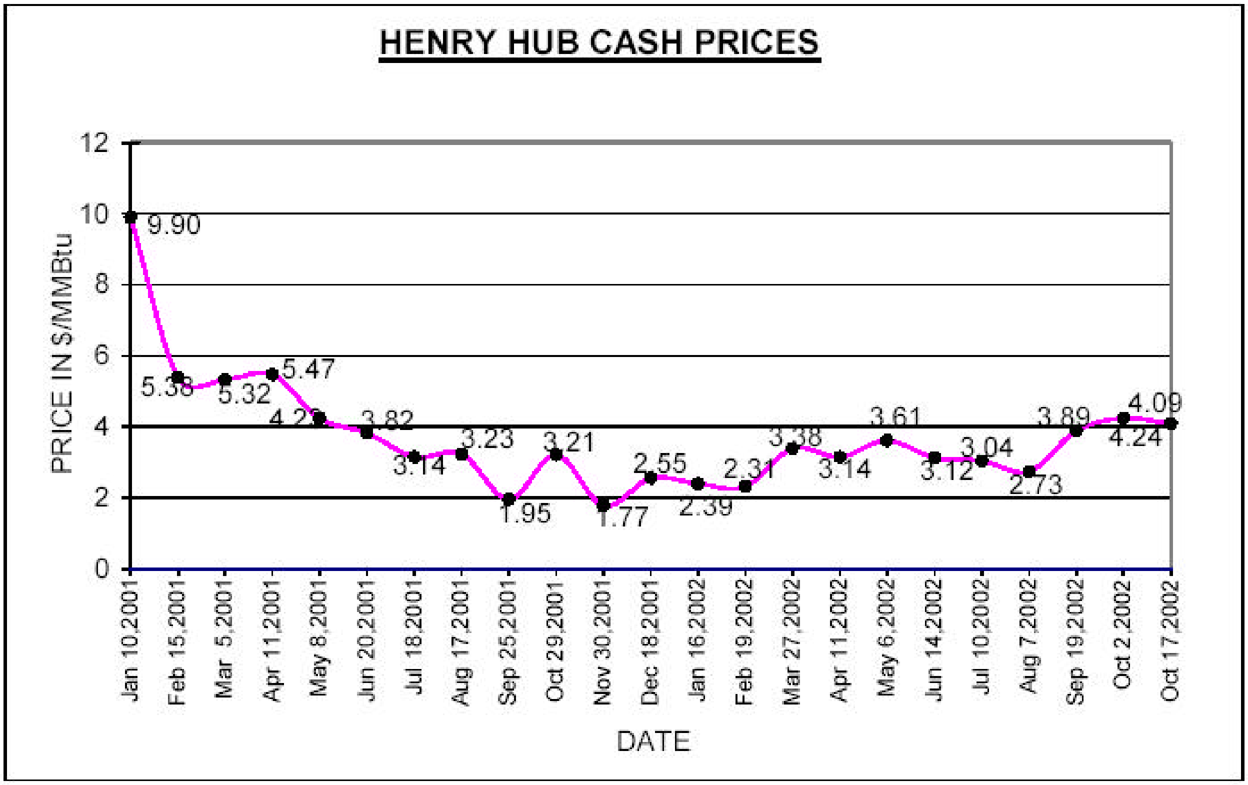
### *Current Natural Gas Market Conditions*

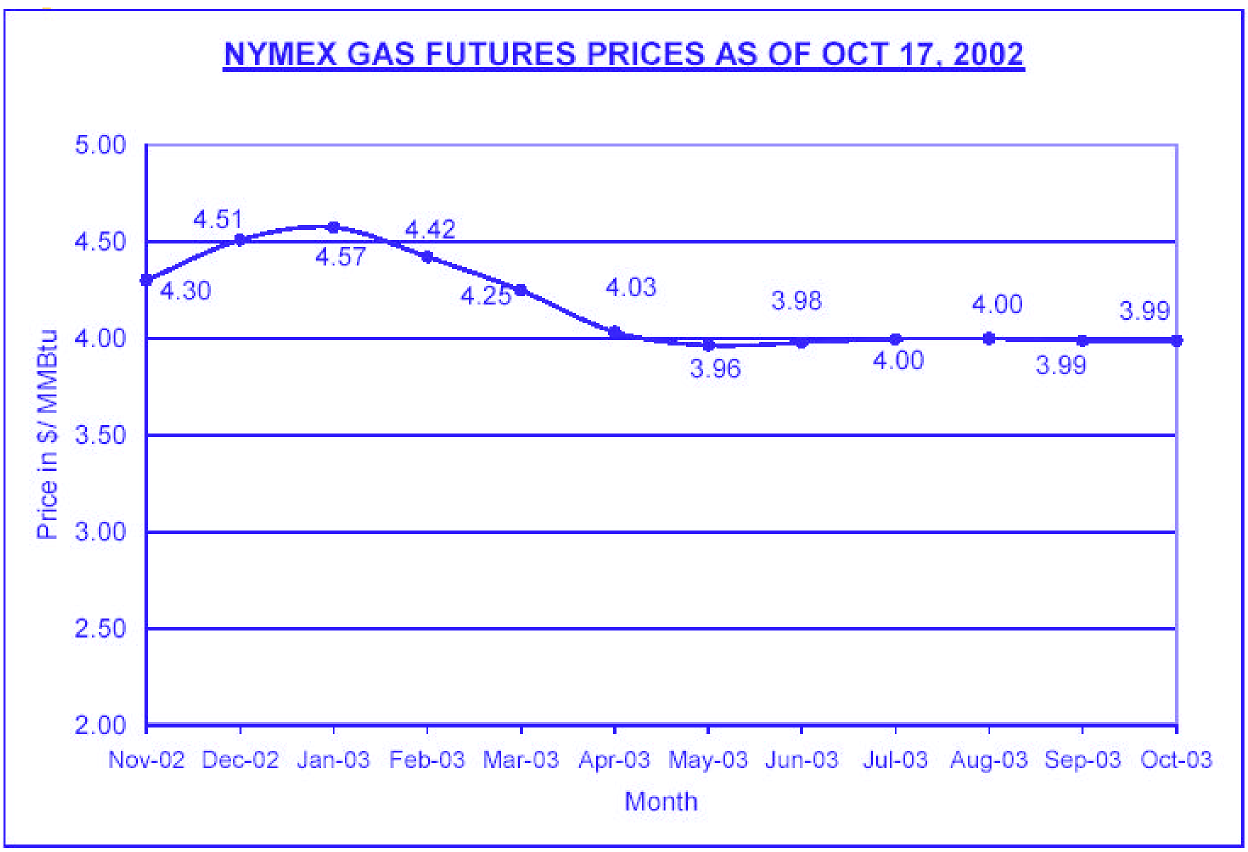
Natural gas storage levels entered the spring more than 40 percent full, following the warmer-than-normal winter of 2001/2002. At the end of March, the American Gas Association (AGA) estimated storage levels at 1,424 billion cubic feet (Bcf) –more than twice the level of the same time in 2001 (627 Bcf).

Supply and demand is still tight. Producers continue to "run in place" just to keep up with current demand. AGA estimates that natural gas reserves grew to 180 Tcf (one trillion cubic feet or therms) in 2001 – the highest level since 1987. However, due to softer wellhead prices in late 2001, producers cut back the number of rigs actively drilling for natural gas (down 36 percent, from 1,058 in July 2001 to 679 in February 2002). Drilling levels may bottom out to between 560-600 over the next year or so due to lower prices, picking up once prices begin to rise in late 2002 or early 2003, the Energy Information Administration (EIA) said in April.

Wholesale natural gas prices tend to reflect market conditions. During the 2001-2002 winter, a typical midwestern residential natural gas customer paid 43 percent less than the previous year, due both in part to the nation's fifth-warmest winter and to the economic downturn. Spot wellhead prices were \$3.50 per thousand cubic feet (Mcf) in late March, a dollar less than they were in March 2001, according to EIA's April Short-Term Energy Outlook. Wellhead prices decreased through spring and early summer. However, as the U.S. economy recovers and world oil prices rise, natural gas wellhead prices likewise responded. Currently, spot prices for natural gas are ranging between \$4.00 and \$4.50 per Mcf for December and the early months of 2003. The top graph on the next page indicates the change in gas prices since January 10, 2001 and the second indicates future prices being predicted through 2003, respectively.

[3] Retail sales are typically categorized by class of customer, i.e., the residential, commercial and industrial customers. The designation "other" refers to sales to public authorities, i.e., governmental entities. The negative "other" sales number for SIGECO represents the difference between unbilled gas sales for the winter of 2000 and 2001. The winter of 2000 was much colder than that of 2001, which created a negative differential for accounting purposes.


HENRY HUB CASH PRICES
PRICE IN $/MMBtu
DATE
9.90
5.38
5.32
5.47
4.22
3.82
3.14
3.23
1.95
3.21
1.77
2.55
2.39
2.31
3.38
3.14
3.61
3.12
3.04
2.73
3.89
4.24
4.09
Jan 10,2001
Feb 15,2001
Mar 5,2001
Apr 11,2001
May 8,2001
Jun 20,2001
Jul 18,2001
Aug 17,2001
Sep 25,2001
Oct 29,2001
Nov 30,2001
Dec 18,2001
Jan 16,2002
Feb 19,2002
Mar 27,2002
Apr 11,2002
May 6,2002
Jun 14,2002
Jul 10,2002
Aug 7,2002
Sep 19,2002
Oct 2,2002
Oct 17,2002


NYMEX GAS FUTURES PRICES AS OF OCT 17, 2002
Price in $/ MMBtu
Month
4.30
4.51
4.57
4.42
4.25
4.03
3.96
3.98
4.00
4.00
3.99
3.99
Nov-02
Dec-02
Jan-03
Feb-03
Mar-03
Apr-03
May-03
Jun-03
Jul-03
Aug-03
Sep-03
Oct-03

National energy policy is vital for the long-term for national security and economic growth. Natural gas is expected to play a crucial role.[4]

## Commission Actions Addressing Price Volatility, Supply Reliability and Customer Assistance Programs

***Gas Forum 2002***

On August 9, 2002, the Commission held a one-day industry conference to discuss current and projected prices for natural gas, the reliability of gas supply for Indiana customers and the status of programs that offer assistance and alternatives to customers for paying and managing their gas bills, e.g., LIHEAP, budget billing, etc. This forum provided the Commission with valuable information concerning gas price, supply and reliability, and allowed the Commission to continue monitoring the gas industry's response to price volatility and the weak economy on Indiana ratepayers.

In preparation for the conference, the Commission issued data requests to produce information relating to the extent and success of utilities' customer assistance programs. These data requests also sought information related to the timing of gas cost recovery and its effect on customer billing.

Presentations by the LDCs indicated comfortable levels of gas supply at reasonable prices over the short-term, e.g., the next eight to twelve months. Considerably more uncertainty was expressed regarding long-term gas supply and price trends, however.

Forum participants also discussed customer assistance programs, their focus and effectiveness. Even though it was recognized that current programs serve a useful purpose by helping customers to meet their immediate energy needs, it was recognized that these programs fail to alter customer behavior or create permanent solutions to energy consumption problems. For this reason, participants explored the idea of altering the focus of customer assistance from one of dollar pass-throughs to pay current bills to more meaningful and lasting solutions. Specifically, participants discussed the viability of weatherization programs and their long-term effectiveness. Citizens cited its The Warm Heart Warm Home Foundation as a successful example of this approach. The Foundation is funded by Citizens and its customers to provide weatherization as well as financial assistance to customers and is targeted to steer customers toward self-sufficiency. Another potential long-term solution is the adoption of statewide building standards.

***Natural Gas Simulation Model Under Development***

The demand imposed on the gas supply system by the proliferation of electric merchant plants in the Midwestern region and the price volatility of natural gas during the winter of 2000-01 signified the need for better information about the nature of the gas system in Indiana. In mid-2001, the decision was made to develop a computer model to aid in the analysis of Indiana's gas systems. The State Utility Forecasting Group (SUFG), which already had a computer model for doing similar analysis of the State's

[4] American Gas Association, 202/824-7000 @ www.aga.org.

electric systems, began working with the staffs of the Commission and Indiana's Department of Commerce to develop the model.

Since August 2001, the SUFG staff has met regularly with members of the IURC staff, the Indiana Department of Commerce's Office of Energy Policy staff and representatives of the LDCs. Early discussions sketched out the model structure, and developed contacts between SUFG and members of the natural gas industry and experts from various government entities. Test models have been constructed and, with the assistance of the Indiana Gas Association, the collection of data has begun.

Currently the work is focused on estimating demand and supply, and creating a model of the physical flow of gas throughout Indiana. Data collection is progressing for use in the econometric models that estimate the demand for gas as a function of its price at each of the city gates, and the supply of gas as a function of its price at the various entry points. Work on the model is essentially complete. The model captures the physical flows of gas from 11 entry points, 8 exit points, and 65 demand and storage points in Indiana. The remaining work includes data clean up, scenario design, market power model programming (the present model minimizes cost subject to demand constraints), running the program, and analyzing and presenting the results.

***Supply Agreements of IGC and Citizens with ProLiance***

ProLiance Energy (ProLiance) is a limited liability company that is owned jointly by affiliates of IGC and Citizens.[5] ProLiance was created to provide synergistic benefits to the utilities in the form of combined gas supply and planning, enhanced leverage in the wholesale gas marketplace and the elimination of duplicative resources previously devoted to these functions. The Commission approved the contractual arrangements between the utilities and ProLiance on September 12, 1997, but held subsequent proceedings within the context of each Company's GCA proceedings to further scrutinize the Agreements. A primary concern addressed during these hearings was whether the use of ProLiance as a single source marketer during the winter of 2000-01, when prices were extremely high and volatile, was a prudent gas procurement practice that resulted in the lowest gas costs reasonably possible.

On July 24, 2002, the Commission issued its Order approving the Settlement Agreement (Agreement) entered into by the parties, which addressed past concerns regarding the impact of the utilities' supply relationship with ProLiance on competition.[6] The Agreement established the following:

- A global request for proposal (RFP) that would result in the receipt and evaluation of competitive bids for service when the supply agreements between ProLiance and the utilities expire on March 31, 2007.
- The supply agreements between ProLiance and the utilities provide for a capacity auction that allows the utilities to sell their unutilized pipeline capacity and to split the proceeds between their customers and themselves on an 85/15% basis. The Agreement also establishes a gas cost incentive mechanism (GCIM) that awards and penalizes the utilities performance in procuring gas for their customers. The prices actually paid for gas will be measured against benchmarks that

[5] IGC Energy, Inc., a sister company of IGC, and Citizens By-Products Coal Co., a wholly owned subsidiary of Citizens, each own 50% of ProLiance and, through a board, maintains 50% control over it.
[6] Cause Nos. 37394-GCA50, 37399-GCA50 and 42233, approved July 24, 2002.

will determine whether the utility can retain portions of any "savings", or whether they must pay their customers for purchases that exceed benchmark prices. The utilities will continue to be responsible for their own supply planning and to support the reasonableness of gas costs as part of the ongoing GCA process.

- The utilities adopted affiliate guidelines.
- The utilities will pay customers $21 million, consisting of a one-time $7.5 million GCA refund by each utility, and a total of $2 million per year for 2003, 2004 and 2005.[7]
- The Agreement provides for a Commission-administered enforcement process that includes financial penalties under certain conditions.

The Commission found that the Agreement preserves its ability to consider, review and scrutinize the impact of the supply agreements for compliance with its Order, the Agreement and Indiana law in future proceedings dealing with the utilities' gas costs.[8]

### *Implementation of a Fixed Gas Bill by NIPSCO*

On July 3, 2002, the Commission issued an order approving a Fixed Gas Bill (FGB) service for NIPSCO subject to certain modifications.[9] The program permits residential and commercial customers to fix their monthly gas bills payable to NIPSCO for an annual period regardless of the change in the price of natural gas or the weather's impact on consumption during that twelve-month period. This service differs from NIPSCO's Budget Billing Plan because it does not require a "true up" at the end of the annual period, and from its Price Protection Service, because bills still vary based on consumption even though a unit price for an annual period has been fixed.

The Commission approved the FGB program for a trial period of three years. In addition, the Commission required the following: 1) NIPSCO must submit all educational, solicitation and marketing materials for approval by the Commission's Consumer Affairs Division, 2) NIPSCO must provide each prospective customer with comparison of costs for gas service under the FGB program, budget billing and the standard tariff, 3) the Company can vary the program fee as it chooses but it may not exceed 10%, and 4) initial customer enrollment may only be effected by a written signature from the customer. Finally, the Commission retained full jurisdiction over FGB customer disputes and required the Company to file annual financial and participation reports.

## Other Gas Issues Affecting Indiana

### *GCA Timeframes--semi-annually, quarterly, and monthly*

The majority (18 out of 22) of Indiana's smallest LDCs continue to file traditional quarterly GCA petitions. Eleven of these LDCs have petitioned the Commission to allow them to switch from quarterly

[7] Fees and expenses awarded to counsel for certain Consumer parties will be deducted from the $7.5 million GCA refunds.
[8] Cause Nos. 37394-GCA50 and 37399-GCA50, approved July 24, 2002.
[9] Cause No. 42097, Petition of Northern Indiana Public Service Company of Indiana for the Commission to Decline to Exercise, in part, its Jurisdiction and for Approval of Alternative Regulatory Procedures for the Offering of an Experimental Fixed Gas Bill Rider to Gas Sales Customers, approved July 3, 2002.

to monthly GCA factors.[10] An evidentiary hearing was held and a final resolution is pending from the Commission. Only two companies, Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company, continue to change their rates for gas on a semi-annual basis.

Currently, one LDC, NIPSCO, uses a monthly GCA factor with an annual hearing to discuss important issues pertaining to the previous and upcoming years, to true-up any under- or over-estimated costs, and to present known demand costs for the upcoming year. NIPSCO's GCA mechanism, approved under the Alternative Utility Regulation statute[11], allows monthly flexing up or down based on prevailing market conditions.[12] In addition to the annual hearing requirements, NIPSCO is required to file monthly informational filings with the Commission showing commodity prices and GCA factors to be implemented for the upcoming month, and quarterly earnings information.

Three of Indiana's major LDCs continue to file quarterly GCAs but adjust their approved GCAs monthly. IGC and SIGECO are allowed to "flex," or adjust, their GCA factors down from Commission approved maximum factors, or caps, once a month in an effort to more closely reflect current gas prices. Each of these flex-down mechanisms is approved on a cause-by-cause basis. Additionally, Citizens petitioned to file quarterly for monthly changes to its GCA factors on July 26, 2002.[13] The mechanism was approved for a test period of one-year and will be re-evaluated at that time. With the approval of this change for Citizens, the majority of gas bills rendered in Indiana reflect rates that change monthly.

### *Gas Cost Incentive Mechanisms*

A Gas Cost Incentive Mechanism (GCIM) provides risks and rewards to LDCs for gas supply acquisition performance compared to a market standard (benchmark). Benchmark prices reflect natural gas commodity prices for geographic locations representative of the supply source where the gas was purchased, and are usually calculated monthly. The benchmark price is then divided by the actual amount of gas purchased to determine the benchmark dollars. If an LDC's actual natural gas commodity purchases are above or below the benchmark dollars, predetermined percentages of the positive or negative differentials are shared among the utility and its customers. For example, if the actual gas purchases are slightly below the Benchmark dollars, a higher percentage of the savings goes to the customers; however, if the actual gas purchases are a greater percentage below the benchmark dollars, a higher percentage of the savings differential is shifted to the LDC. This works similarly on the other side of the benchmark level. The customers absorb costs that are only slightly higher than the benchmark; however, if costs exceed the Benchmark by a greater amount, a higher percentage of the differential is shifted to the LDC.

NIPSCO has had a GCIM in place since 1997, which was approved as part of its ARP.[14] Three other LDCs, IGC, SIGECO and Citizens have recently received approval to implement a GCIM as part of

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[10] Cause No. 41884, et al ARP; Midwest Natural Gas, Peoples Gas & Power Co., Switzerland County Natural Gas, Indiana Utilities, Community Natural Gas, Fountaintown Gas Co., South Eastern Indiana Natural Gas, Indiana Natural Gas, Boonville Natural Gas, Chandler Natural Gas, Lawrenceburg Gas Co.
[11] Indiana Code § 8-1-2.5 Alternative Utility Regulation
[12] Cause No. 41338 ARP, NIPSCO; Approved 12/1/1998.
[13] Cause No. 37399 GCA 75, Citizens Gas & Coke Utility, approved September 4, 2002.
[14] Cause No. 40342, Northern Indiana Public Service Company, approved on October 8, 1997.

an ARP approved on July 24, 2002.[15] Currently, the majority of gas consumed in Indiana is purchased under a GCIM.

***New Gas Local Distribution Company Approved***

On October 30, 2001, Valley Rural Utility Company (VRUC) filed a petition seeking approval to provide natural gas service. VRUC is the only "new" gas utility to be formed over the last several decades. The request to provide gas service was presented as an ARP that requested the Commission to decline jurisdiction over monthly changes in rates.

VRUC proposed to provide gas service to what is essentially the Hidden Valley Lake residential development in Dearborn County. VRUC, a not-for-profit company, already provides water and sewer utility service to about the same area.

On May 8, 2002 the Commission issued its Order in Cause No. 42115 approving a settlement agreement entered into between VRUC and the Office of Utility Consumer Counselor. The Commission found that its declination of jurisdiction was in the public interest, and approved a rate structure consisting of a fixed monthly fee, a throughput charge, and a monthly gas cost adjustment. The non-gas supply components will be based on the negotiated contract price for the design, construction and operation of the gas distribution system. The GCA will be filed monthly with the IURC and is subject to a monthly cap on price. The Commission will hold an annual hearing on gas supply issues.

***Pipeline Safety Legislation***

On July 23, 2002, the U.S. House of Representatives passed improved pipeline safety regulations that contain a number of stronger provisions. The legislation mandates testing of all pipelines, toughens penalties for violations, improves operator training and allows states to share responsibility for enforcing some of the standards. The action by the House clears the way for an upgrade of safety standards governing more than two million miles of pipeline to become law as early as this fall. While the Senate has passed pipeline-safety legislation three times in the past two years, the House rebuffed it each time.

# Competitive Initiatives in Natural Gas

## National Overview

Since the implementation of the Natural Gas Policy Act of 1978, Congress began a process that ended federal control over the price of gas at the wellhead. This process also set in motion a series of public policy changes by the Federal Energy Regulatory Commission and state regulators that has culminated in "customer choice" programs in the natural gas industry.

Natural gas choice is similar to choosing a long distance telephone company. The local utility continues to own and maintain the pipes that deliver the gas service to consumers' homes or businesses, but consumers can choose the company that provides their natural gas.

[15] Cause No. 42233 ARP which has been consolidated with Cause Nos. 37394 GCA 50-S1 and 37399 GCA 50-S1.

In today's competitive market, suppliers can offer a variety of prices, incentives or services to gain business. Therefore, customers have the opportunity to comparison shop for the best deal, just like they do when they buy a car, home, or their weekly groceries.

The gas industry has been competitive for years at the wholesale and large end-user level, as customers routinely purchase their gas supplies and other load managing services in the marketplace. The AGA estimates that 90% of industrial gas and 99% of electric utility gas volumes can choose their own natural gas supplier, and that 72% of commercial customers either can now, or will be able to choose their own supplier. Larger customers are more likely to use customer choice because they have the resources and expertise to manage their gas supplies and the relatively small per unit savings is attractive over large volumes.

Nonetheless, subscription rates of residential gas customers continue to be low. Recent reports suggested three likely reasons for customer nonparticipation: 1) some customers made well-informed decisions, correctly anticipating no net benefits from choosing an unencumbered marketer; 2) some customers were so confused and uninformed that they decided to stay with their existing provider; and 3) discriminatory actions by the local gas utilities may have prevented or discouraged customers from switching, or discouraged new suppliers from entering the market.

Options for small customers are expected to increase. Many gas companies are lowering their minimum consumption levels so that more customers can use transportation services. Proposed and existing gas utility unbundling programs allow small customers to aggregate their consumption to meet minimum levels. Marketers and suppliers are also increasing efforts to serve smaller customers that do not have the expertise to purchase gas and make transportation arrangements without assistance.

## Status of Customer Choice in Indiana

### *NIPSCO's Customer Choice Program*

The Commission approved NIPSCO's "Choice" program in its Order of October 8, 1997, in Cause No. 40342. The utility began phasing in its customer choice program in April 1998. The eligibility numbers increased from 50,000 residential and 1,500 business customers to include the entire customer base of 639,000 and 54,000, respectively. The Choice program's enrollment caps are 150,000 residential customers and 20,000 commercial customers. NIPSCO estimates that all of its customers will have access to unbundled service by January 1, 2005.

**NIPSCO CHOICE PROGRAM**
**Table 6: Status Customer Choice as of July 2002**

| Customer Type | Total Customers 2002 | Enrollment Caps for ARP | | Participating | | |
|---|---|---|---|---|---|---|
| | | Total | Percentage of 2002 Total | Total | Percentage of Eligible Customers | Percentage of Total Customers |
| Residential | 639,000 | 150,000 | 23.5 | 4,971 | 3.3 | 0.8 |
| Business | 54,000 | 20,000 | 37.0 | 4,007 | 20.0 | 7.4 |
| **Total** | 693,000 | 170,000 | 24.5 | 8,978 | 5.3 | 1.3 |

NIPSCO participated in the Commission sponsored Gas Forum 2002. The Company reported that there had been a decrease in enrollment from last July of approximately 2,400 customers, which suggests an inverse relationship between price and participation in customer choice programs. Nationally, higher gas costs forced customers back to their native LDCs as marketers found it more difficult to compete with LDC rates for service, and many defaulted on their contractual obligations to provide service. NIPSCO's customers did not experience supplier defaults or service disruptions by marketers even though two marketers left the program. Recently, Vectren was added to the group of marketers providing gas service to NIPSCO's Choice customers.

***Citizen's Alternative Regulatory Plan***

Citizens filed a petition docketed as Cause No. 41605 on November 23, 1999, requesting authority to implement an Alternative Regulatory Plan (ARP). The utility cites an increasingly competitive energy environment in which market forces have replaced traditional regulation as the primary reason for the proposed change. Implementation of its proposal will prospectively result in all customers being able to choose their gas supplier, with Citizens remaining one of the supplier choices. Key elements of Citizen's proposal include: 1) the phasing in of new unbundled services, 2) affiliate guidelines that serve as ethical codes of conduct between the utility and other third-party suppliers, 3) Citizens acting as the supplier of last resort, 4) new service offerings for third-party suppliers, 5) no increase in its current rates, and 6) immediate service changes for large commercial and industrial users using over 50,000 Dth annually in the first year.

The Company has successfully negotiated a settlement agreement with the Office of the Utility Consumer Counselor and the Indiana Industrial Energy Consumers (INDIEC) group that was filed with the Commission on August 28, 2002. The Commission will review the testimony and settlement agreement, and issue an order on this case in the near future.

Appendix A

## COMBINED ANALYSIS OF GAS SALES DATA

**Citizens Gas, Indiana Gas, NIPSCO, and SIGECO**

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| **Total Sales By Class (1,000 Dth)** | | | |
| Residential | 132,159 | 147,085 | 140,748 |
| Commercial | 53,828 | 60,522 | 53,958 |
| Industrial | 18,993 | 30,198 | 20,972 |
| Other | 9,861 | 25,419 | 33,109 |
| **Total** | **214,842** | **263,224** | **248,787** |
| **Total Transportation By Class (1,000 Dth)** | | | |
| Residential | 1,238 | 1,583 | 995 |
| Commercial | 11,084 | 12,034 | 14,122 |
| Industrial | 202,316 | 238,952 | 250,150 |
| Other | 4,880 | 4,932 | 5,838 |
| **Total** | **219,518** | **257,501** | **271,105** |
| **Total Throughput By Class (1,000 Dth)** | | | |
| Residential | 133,397 | 148,668 | 141,743 |
| Commercial | 64,912 | 72,557 | 66,929 |
| Industrial | 221,309 | 269,149 | 273,959 |
| Other | 14,741 | 30,352 | 37,261 |
| **Total** | **434,360** | **520,726** | **519,892** |
| **Percent Transportation to Throughput** | | | |
| Residential | 0.93% | 1.06% | 0.70% |
| Commercial | 17.08% | 16.59% | 21.10% |
| Industrial | 91.42% | 88.78% | 91.31% |
| Other | 33.10% | 16.25% | 15.67% |
| **Total** | **50.54%** | **49.45%** | **52.15%** |

## ANALYSIS OF GAS SALES DATA FOR 1999, 2000, & 2001

### CITIZENS GAS AND COKE UTILITY

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| **Revenues By Customer Class** | | | |
| Residential | $ 213,914,885 | $ 161,261,660 | $ 142,642,436 |
| Commercial & Industrial | 118,341,083 | 109,578,368 | 68,214,515 |
| Other | (16,664,765) | 25,905,386 | 1,313,594 |
| **Totals** | $ 315,591,203 | $ 296,745,414 | $ 212,170,545 |
| **Sales By Customer Class in Dth** | | | |
| Residential | 22,216,277 | 25,385,884 | 23,301,309 |
| Commercial & Industrial | 14,609,790 | 23,289,509 | 14,805,666 |
| Other | - | - | 3,791,803 |
| **Totals** | 36,826,067 | 48,675,393 | 41,898,778 |
| **Revenues Per Dth** | | | |
| Residential | $ 9.6287 | $ 6.3524 | $ 6.1216 |
| Commercial & Industrial | $ 8.1001 | $ 4.7051 | $ 4.6073 |
| Other | $ - | $ - | $ 0.3464 |
| Average Rate | $ 8.5698 | $ 6.0964 | $ 5.0639 |

### INDIANA GAS COMPANY, INC.

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| **Revenues By Customer Class** | | | |
| Residential | $ 408,937,121 | $ 341,536,963 | $ 283,838,041 |
| Commercial & Industrial | 173,352,672 | 142,546,514 | 114,232,782 |
| Other | (30,886,857) | 32,810,251 | (3,943,023) |
| **Totals** | $ 551,402,936 | $ 516,893,728 | $ 394,127,800 |
| **Sales By Customer Class in Dth** | | | |
| Residential | 41,719,000 | 46,504,000 | 43,943,000 |
| Commercial & Industrial | 21,649,000 | 27,087,000 | 23,990,000 |
| Other | - | - | (950,000) |
| **Totals** | 63,368,000 | 73,591,000 | 66,983,000 |

**Revenues PerDth**

| | | | |
|---|---|---|---|
| Residential | $ 9.8022 | $ 7.3442 | $ 6.4592 |
| Commercial & Industrial | $ 8.0074 | $ 5.2625 | $ 4.7617 |
| Other | $ - | $ - | $ 4.1506 |
| Average Rate | $ 8.7016 | $ 7.0239 | $ 5.8840 |

**NORTHERN INDIANA PUBLIC SERVICE CO.**

| | **2001** | **2000** | **1999** |
|---|---|---|---|
| **Revenues By Customer Class** | | | |
| Residential | $ 577,297,238 | $ 446,043,965 | $ 361,206,716 |
| Commercial & Industrial | 287,919,725 | 203,967,233 | 151,862,365 |
| Other | 45,321,200 | 92,964,935 | 78,322,348 |
| **Totals** | $ 910,538,163 | $ 742,976,133 | $ 591,391,429 |
| **Sales By Customer Class in Dth** | | | |
| Residential | 59,653,000 | 66,450,000 | 65,168,000 |
| Commercial & Industrial | 32,349,000 | 35,996,000 | 32,151,000 |
| Other | 10,466,000 | 24,786,000 | 34,468,000 |
| **Totals** | 102,468,000 | 127,232,000 | 131,787,000 |
| **Revenues Per Dth** | | | |
| Residential | $ 9.6776 | $ 6.7125 | $ 5.5427 |
| Commercial & Industrial | $ 8.9004 | $ 5.6664 | $ 4.7234 |
| Other | $ 4.3303 | $ 3.7507 | $ 2.2723 |
| Average Rate | $ 8.8861 | $ 5.8395 | $ 4.4875 |

**SOUTHERN INDIANA GAS & ELECTRIC CO.**

| | **2001** | **2000** | **1999** |
|---|---|---|---|
| **Revenues By Customer Class** | | | |
| Residential | $ 69,772,477 | $ 57,560,161 | $ 45,254,410 |
| Commercial & Industrial | 31,898,035 | 24,162,167 | 18,397,732 |
| Other | 102,060 | 119,908 | 175,015 |
| **Totals** | $ 101,772,572 | $ 81,842,236 | $ 63,827,157 |
| **Sales By Customer Class in Dth** | | | |
| Residential | 8,570,921 | 8,745,355 | 8,566,559 |
| Commercial & Industrial | 4,213,115 | 4,347,473 | 4,130,263 |
| Other | (604,580) | 633,180 | (426,930) |

| | | | |
|---|---|---|---|
| **Totals** | 12,179,456 | 13,726,008 | 12,269,892 |

**Revenues Per Dth**

| | | | |
|---|---|---|---|
| Residential | $ 8.1406 | $ 6.5818 | $ 5.2827 |
| Commercial & Industrial | $ 7.5711 | $ 5.5577 | $ 4.4544 |
| Other | $ (0.1688) | $ 0.1894 | $ (0.4099) |
| Average Rate | $ 8.3561 | $ 5.9626 | $ 5.2019 |

Appendix B

| RESIDENTIAL GAS BILLS AS OF JANUARY 1, 2002<br>RANKED HIGHEST TO LOWEST AT 200 THERMS<br>IURC GAS DIVISION | | | | |
|---|---|---|---|---|
| Rank | Utility Name | 150 Therms | 200 Therms | 250 Therms |
| 1 | Westfield Gas Corporation | $165.58 | $213.05 | $260.52 |
| 2 | Boonville Natural Gas Corporation | $157.23 | $205.70 | $254.18 |
| 3 | Community Natural Gas - Rate 1 * | $157.93 | $205.47 | $253.02 |
| 4 | Switzerland County Natural Gas | $151.89 | $199.79 | $247.69 |
| 5 | Lawrenceburg Gas Co. (Rate G-1) * | $152.83 | $197.22 | $241.60 |
| 6 | Northern Ind Fuel & Light Co., Inc. | $147.88 | $192.85 | $237.82 |
| 7 | Indiana Utilities Corporation | $144.62 | $189.05 | $233.47 |
| 8 | Aurora Municipal Gas | $139.38 | $184.96 | $230.54 |
| 9 | Ohio Valley Gas Corp. (ANR) * (2) | $138.08 | $180.37 | $222.67 |
| 10 | Fountaintown Gas Company, Inc. | $137.63 | $180.32 | $223.02 |
| 11 | Lawrenceburg Gas Co. (Rate G-2) * | $138.33 | $179.40 | $220.46 |
| 12 | Chandler Natural Gas Corporation | $136.38 | $179.36 | $222.34 |
| 13 | Indiana Natural Gas Corporation | $135.21 | $178.29 | $221.36 |
| 14 | Community Natural Gas - Rate 2 * | $134.18 | $173.82 | $213.45 |
| 15 | Ohio Valley Gas, Inc. * | $132.47 | $172.89 | $213.31 |
| 16 | South Eastern Indiana Gas Co. | $132.07 | $172.41 | $212.75 |
| 17 | Ohio Valley Gas Corp. (TXG) * | $129.05 | $168.15 | $207.25 |
| 18 | Peoples Gas & Power Co. | $124.85 | $162.00 | $199.15 |
| 19 | Midwest Natural Gas Corp. * (1) | $119.73 | $155.57 | $191.41 |
| 20 | Kokomo Gas and Fuel Company | $119.63 | $154.01 | $188.40 |
| 21 | Indiana Gas Company | $102.95 | $133.22 | $163.48 |
| 22 | Northern Indiana Public Service Co. | $97.24 | $127.81 | $158.38 |
| 23 | Citizens Gas & Coke Utility | $97.47 | $125.92 | $154.39 |
| 24 | Southern Indiana Gas and Ele. Co. | $84.10 | $108.80 | $133.50 |
| 25 | Snow & Ogden Gas Company, Inc. | $75.20 | $100.20 | $125.20 |

For purposes of this Comparison: 100 Therms = 100 Ccf = 10 Dth = 10 Mcf

## RESIDENTIAL GAS BILL COMPARISION (2002-1998)

**BILLS CALCULATED BASED ON RATES IN EFFECT JANUARY FIRST OF EACH YEAR**
**RANKED HIGHEST TO LOWEST BASED ON 5 YEAR AVERAGE**
**IURC GAS DIVISION**

| | | Consumption Level of 200 Therms | | | | | |
|---|---|---|---|---|---|---|---|
| **Rank** | **Utility Name** | **5 Year Average** | **2002 Bills** | **2001 Bills** | **2000 Bills** | **1999 Bills** | **1998 Bills** |
| 1 | Westfield Gas Corp. | $157.99 | $213.05 | $185.36 | $123.92 | $127.55 | $140.09 |
| 2 | Lawrenceburg Gas Co. (Rate G-1) * | $151.99 | $197.22 | $164.24 | $124.22 | $128.61 | $145.68 |
| 3 | Ohio Valley Gas Corp. (ANR) * (2) | $145.54 | $180.37 | $168.81 | $120.33 | $125.49 | $132.71 |
| 4 | Lawrenceburg Gas Co. (Rate G-2) * | $145.43 | $179.40 | $166.26 | $121.43 | $120.68 | $139.37 |
| 5 | Indiana Utilities Corp. | $144.80 | $189.05 | $158.65 | $125.97 | $121.13 | $129.21 |
| 6 | Indiana Natural Gas Corp. | $143.27 | $178.29 | $154.18 | $122.08 | $128.00 | $133.82 |
| 7 | Boonville Natural Gas Corp. | $142.91 | $205.70 | $179.66 | $109.67 | $105.55 | $113.97 |
| 8 | Aurora Municipal Gas Utility | $141.63 | $184.96 | $156.95 | $117.06 | $118.77 | $130.39 |
| 9 | Fountaintown Gas Co. | $139.77 | $180.32 | $139.60 | $118.76 | $114.05 | $146.14 |
| 10 | Community Gas Corp. (Rate 1) * | $138.75 | $205.47 | $141.26 | $114.31 | $111.28 | $121.43 |
| 11 | Switzerland County Natural Gas Co. | $138.49 | $199.79 | $150.85 | $122.19 | $106.42 | $113.21 |
| 12 | South Eastern Indiana Gas Co. | $138.17 | $172.41 | $162.41 | $120.71 | $115.33 | $119.99 |
| 13 | Peoples Gas and Power Co. | $137.32 | $162.00 | $154.34 | $112.61 | $122.48 | $135.19 |
| 14 | Northern Indiana Public Service Co. | $135.63 | $127.81 | $210.91 | $114.53 | $110.55 | $114.37 |
| 15 | Midwest Gas Corp. * (1) | $135.03 | $155.57 | $151.34 | $112.11 | $121.78 | $134.33 |
| 16 | Northern Indiana Fuel and Light Co. | $132.72 | $192.85 | $130.65 | $105.41 | $116.91 | $117.79 |
| 17 | Ohio Valley Gas Corp. (TXG) * | $130.62 | $168.15 | $157.27 | $98.75 | $115.11 | $113.81 |
| 18 | Indiana Gas Co. | $129.87 | $133.22 | $175.40 | $114.46 | $107.62 | $118.66 |
| 19 | Community Gas Corp. (Rate 2) * | $129.31 | $173.82 | $150.16 | $105.56 | $104.97 | $112.05 |
| 20 | Chandler Natural Gas Corp. | $127.91 | $179.36 | $153.39 | $108.35 | $91.92 | $106.52 |
| 21 | Ohio Vally Gas Inc. * | $126.50 | $172.89 | $148.97 | $94.09 | $108.71 | $107.85 |
| 22 | Citizens Gas and Coke Utility | $123.96 | $125.92 | $157.44 | $108.58 | $110.30 | $117.58 |
| 23 | Kokomo Gas and Fuel Co. | $118.11 | $154.01 | $113.27 | $96.00 | $117.18 | $110.07 |
| 24 | Southern Ind. Gas & Ele. Co. | $108.14 | $108.80 | $134.82 | $92.94 | $101.12 | $103.02 |
| 25 | Snow and Ogden Gas Co. | $100.20 | $100.20 | $100.20 | $100.20 | $100.20 | $100.20 |

For purposes of this Comparison: 100 Therms = 100 Ccf = 10 Dth = 10 Mcf